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Initiatives for Sustainability

Sustainability Management



The Morinaga Group will enhance its overall sustainability management in order to achieve its Purpose and the 2030 Vision with Altruism as the foundation, a tenet valued by the Company's founder.

Machiko Miyai
Director and Managing Executive Officer
in charge of Sustainable Management Division

Promoting Sustainable Management Based on Our Purpose

Currently in the global community, environmental changes, such as intensifying social issues including climate change and rapid advancement of digitization, which are greatly impacting business activities and increasing uncertainty toward the future,

are taking place at an unprecedented speed. Given this condition, we must make efforts involving the entire Morinaga Group from a long-term perspective and follow clearly established tasks to reach the position we want to be in, in order to achieve our

Process of Identifying Materiality at Morinaga Group

In order to identify our materiality, we conducted interviews with experts in the fields of sustainability, consumer issues, capital markets and ESG investment, etc., in July 2020 to obtain opinions on issues that we should address.

Following that, we summarized our 30 material issues for the realization of our Purpose and the 2030 Vision based on vital issues in management and business, international standards and initiatives such as SDGs, and Global Compact, expectations and requests from stakeholders such as customers, business partners, and NGOs, survey items received from survey organizations on CSR, ESG, and sustainability, and other factors such as the external environmental trend that surrounds the Morinaga Group and the food industry.

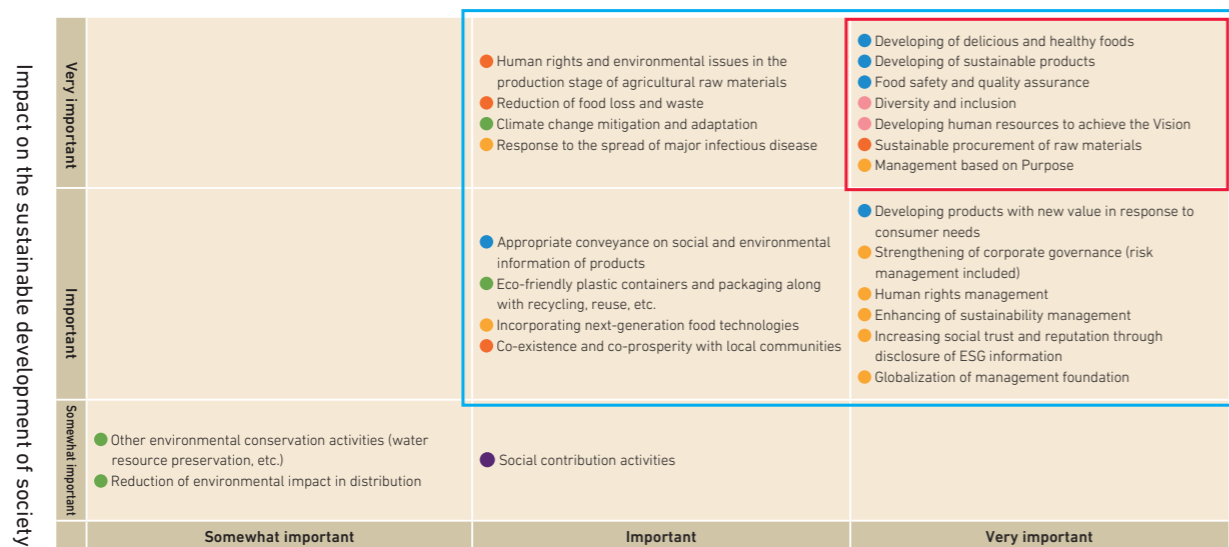
These material issues are evaluated for their importance from the two axes of "impact on the Morinaga Group's sustainable growth," and "impact on the society's sustainable development" by 11 external stakeholders (three investors, four business partners, one NGO, and three Outside Directors) and 10 key members of the Company.

As a result, 21 issues have been rated as important, while seven of which have been rated as the most important (see materiality matrix*).

Based on this result and repeated discussion among board members, given comprehensive consideration on their relation to the Morinaga Group's management and business operations, we have identified five materialities.

The Morinaga Group's Materiality Matrix

Deemed the most important issues Deemed important issues



Impact on the Morinaga Group's sustainable growth *Only results of "Somewhat important" and better presented

Five materialities

1. Contribute to healthy lives of people around the world
2. Diversity and inclusion of people
3. Achieve sustainable value chains
4. Conserve the global environment
5. Strengthen the business management foundation

Purpose and the 2030 Vision.

The Morinaga Group has been conducting business with a strong conviction toward contributing to society since its inception. With the formulation of a new corporate philosophy, we have decided to take a proactive approach to undertake efforts aimed at realizing a sustainable society, including achieving the SDGs as a member of the global community. We believe, these cumulative efforts will make the Group's business more sustainable as well as lead to sustainable growth and enhanced corporate value in the medium- to long-term. Our specific efforts are presented in the following pages.

Identifying the Group's Materiality

The Morinaga Group began deliberating material issues for achieving our Purpose and the 2030 Vision in July 2020, and identified material issues (Materiality) from both financial and non-financial aspects following the approval of the Board of Directors. (See pages 16 and 17 for details.)

We will steadily establish social values and a resilient management foundation to achieve sustainable growth through addressing our materiality.

The Morinaga Group's Materiality



Defining Long-Term Targets for 2030 and Contributing to the SDGs

We have set Long-Term Targets for 2030 for each materiality in an effort to achieve our Purpose and the 2030 Vision. Furthermore, the actions to be taken during the period of the Medium-Term Business Plan are formulated by backcasting. (See pages 16 and 17 for details.)

Many of these efforts correspond to the United Nation's Sustainable Development Goals (SDGs). The Morinaga Group will be taking concerted efforts as a whole in order to achieve a sustainable society in which the SDGs aim to leave no one behind.

Enhance Sustainability Management

In April 2021, we newly established the ESG Committee, which is chaired by the President and Representative Director in order to promote initiatives for sustainability and achieve the Group's overall Purpose. Moreover, we also established the Sustainable Management Division to support and promote the entire Group's sustainability and ESG initiatives.

The Sustainable Management Division serves as the secretariat for the ESG committee, with the heads of departments relevant to

the 2030 Targets serving as committee members. The Committee reports on and shares the latest society trends related to sustainability, as well as deliberates necessary items on policy, planning, and response to issues in order to achieve our Purpose and the 2030 Vision. Also, it monitors the progress of activities aimed at achieving 2030 Goals and leads the entire Group's initiatives of sustainability.

In order to achieve the Long-Term Targets for 2030, the sharing of our Purpose and the 2030 Vision with all directors and employees and sharing of fundamental knowledge on sustainability and ESG is the starting point. For this reason, we hosted directors training on sustainability and ESG in the fiscal year ended March 31, 2021 in order to deepen the understanding with regard to the latest trend on Purpose-driven management and sustainability. Going forward, we plan to strengthen the employees' understanding and knowledge towards sustainability through training.

Moreover, we will make appropriate disclosure on our activity results through integrated reports and our company website and increase the entire Group's transparency as well as build a trust relationship with all stakeholders through presenting the Morinaga Group's philosophy and activities. Also, we will refine our response to requests for ESG information disclosure from external survey organizations and business partners and achieve enhanced corporate value for the medium- to long-term.

Schematics of Sustainability Promotion



Lecture on diversity for board members, lecturer: Asako Osaki (gender specialist)

Initiatives for Sustainability

Contributions to Healthy Lives of People around the World



Keita Tsukui
Senior Operating Officer
General Manager of Marketing Headquarters

Aimed at 2030

Contributions to the healthy lives of people around the world with our efforts in providing health values for mind, body, and environment.

Long-Term Targets for 2030

- Provide health values to over **70%** of Japan's population through new initiatives aimed at becoming a wellness company.

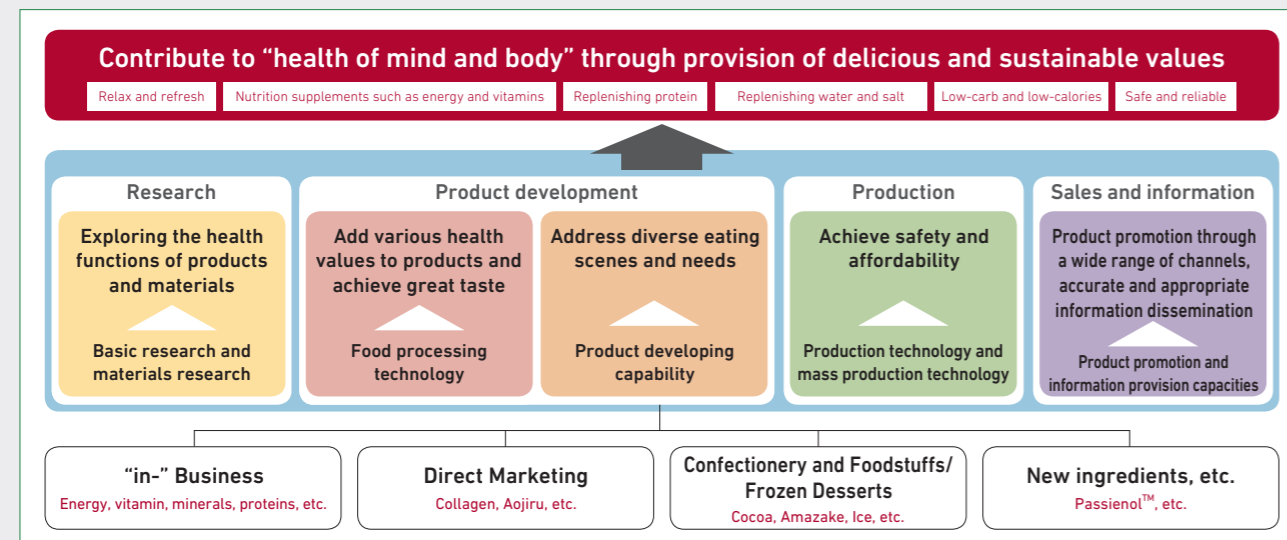
* Scope: Products defined as Deep dive into "health of mind," Accelerate "health of body," and Evolve "health of mind" to "health of body." Population percentage calculated based on INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). Going forward, the Company will explore establishment of a vision on a global basis.

Providing the Morinaga Group's Unique Values in Contributing to "Health of Mind, Body, and Environment"

The Group's quest for health begins with the founder Taichiro Morinaga's idea to bring delicious and highly nutritious Western confections to Japan and the statement of "rich in nourishment / exquisite flavor," as written on the package of *Milk Caramel*. Since then, for over 120 years, we have been striving in our basic research, food processing technology, product developing capability, production technology, product promotion capability, and information provision capability, in order to consistently provide customers with values over the age. Even today, we are striving to provide values through a wide range of product categories to bring "health of mind (deliciousness and fun)" and "health of body (nutrition supplement)"

to customers of all generations and lifestyles in order to contribute to a healthy life by harnessing these capabilities as our strength. Particularly, lifestyles have been diversifying in recent years, with the needs for nutritional supplements diversifying, such as "to also satisfy a craving," "in dessert form," and "in drinks form." The Morinaga Group will meet customers' needs with various categories and forms of products. For the future, we will focus on the development of products that dive deeper into "health of mind" and sustainable products, in aiming to realise sustainable growth and enhanced corporate value for the Group by achieving the goal of "health of mind, body, and environment" as stated in the 2030 Vision.

Values Provided to Customers



1. Contribute to "Health of Mind, Body, and Environment"

1. Develop products that contribute to "health of mind, body, and environment"

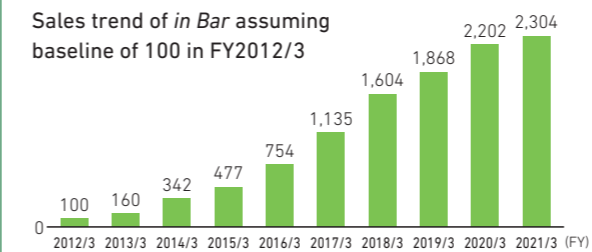
- Delicious, easy, and quick protein supply

The demand for products that can easily replenish proteins is growing due to interest in body building and habits of training resulting from a rising health awareness, and as prevention for

sarcopenia and frailness in the elderly. The Morinaga Group is expanding its lineup of protein supply products among the "in-" brand, including "in Jelly." Recently, we have been working on enhancing added value such as by introducing E lutein, which strengthens the function of proteins.

Sales Grew by about 20 Times in 10 Years for the in Bar Series

The *in Bar* series offers delicious and easily enjoyable protein bars that have minimal distinctive taste of protein achieved using our confectionery technology. In response to the diversifying needs, we have expanded our product lineup to include those with extra protein, low-carb, bite-size chocolate, as well as drinks type.



- Deliciously and easily replenish water and salt

There is an increasing occurrence of heat strokes due to the rising average temperature along with global warming. The Morinaga Group agrees with the Heat Illness Prevention - Communication Project, and is responding to the needs for replenishing water and salt through our products of *in Jelly* <Energy Lemon>, *in Tablet*, *Morinaga Amazake*, and *Ice Box*.



- Deep dive into "health of mind" and evolve into "health of body"

The COVID-19 pandemic has brought about drastic changes to people-to-people communication and stress levels. Given that the demand for healthy minds is stronger than ever before, we are striving to deeply explore "health of mind" in terms of scientific approach and consumer-oriented marketing. At the same time, we are also enhancing our technology to reduce sugar, fat, and calories to meet the growing needs for "health of body" in confectionery and foodstuffs.

2. Information Provision to Consumers

- Information dissemination based on sports science

The Morinaga Group operates a training lab that supports the body building and nutrition counseling for top athletes. We provide articles put together by trainers and dieticians of the Training Lab on our website, "Easy-to-understand textbook on protein"



"Easy-to-understand textbook on protein" (Japanese only)
<https://www.morinaga.co.jp/protein/>

protein." The website gets an average of 1.5 million visits per month with a multitude of information from protein selection by Purpose of use, to food menu, and workout advice.

3. Initiatives for Resolving Social Issues

- Supporting education and preventing child labor in cacao-producing countries

We have been conducting the consumer-participation campaign of "One Chocolate for One Smile,"* which has been making donations to resolve social issues for 13 consecutive years. Through activities to improve the educational environment for children and prevent child labor in cacao-producing countries of our support partners, Plan International Japan and the non-profit organization, ACE, the cumulative donation amount by 2020 has reached 255,314,702 yen.

* Limited-time campaign that donates one yen for each eligible product purchased to the support program for children of cacao-producing countries.

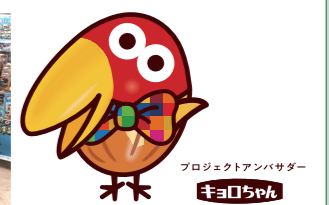


Children in Ghana enjoying school meals provided by the support program

One Chocolate for One Smile
<https://www.morinaga.co.jp/company/english/csr/social/organization.html>

Co-creative Action with Consumers — Project to Connect Smiles to the Future —

In 2021, young and mid-career members of the sales division came together to launch the "Project to Connect Smiles to the Future," as a co-creative action with consumers towards a sustainable society. First, the campaign of donating the equivalent amount of *Chocoball* to children's cafeterias throughout Japan based on the number of *Chocoball* purchased and applied for was launched. The campaign was promoted in stores of businesses endorsing the project, where we received 21,816 applications and truly felt the increasing public interest.



Kyorochan is the product ambassador of the project. Our aim is to solicit shared understanding and participation from consumers in creating a sustainable society through provision of fun and easy-to-understand information.

Morinaga's sustainable "Project to Connect Smiles to the Future" (Japanese only)
<https://www.morinaga.co.jp/sustainability/>

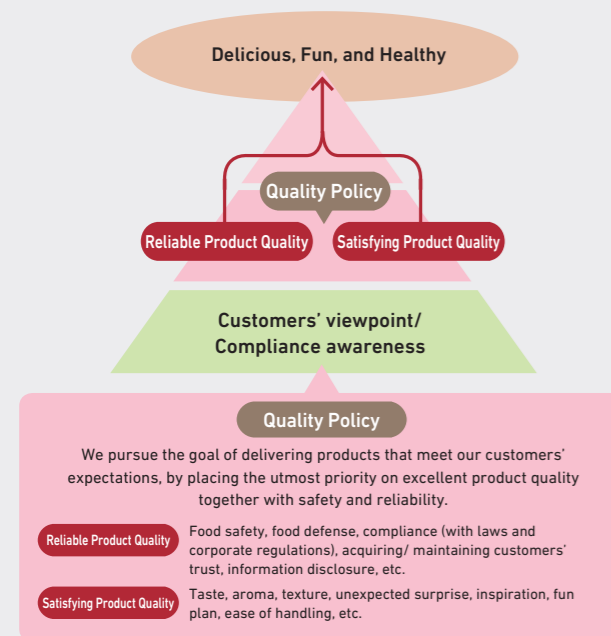
2. Provision of Safe and Reliable Products

The Morinaga Group believes it is its mission as a food manufacturer to constantly ensure the quality and safety of products and deliver safe and reliable products to customers.

Our Philosophy on Quality Assurance

In realizing our Purpose and 2030 Vision, we believe that trust from our customers is the most important. We have established the following quality policy in promoting quality assurance by placing the utmost priority on excellent product quality together with safety and reliability, which are the premise for earning customer trust.

Morinaga Group's Philosophy on Quality Assurance

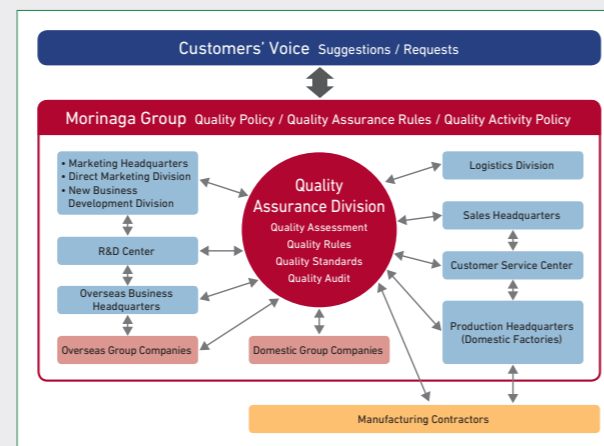


Quality Assurance System

In order to practically implement the quality policy, we have established the Quality Assurance Rules, and are centrally and systematically managing and maintaining the "Quality Assurance Objective (purpose)," "Target Level," "Manuals Related to Quality Assurance," and "Quality Standards." We conduct activities on assuring quality in each department.

All products of the Morinaga brand are developed involving multiple departments and divisions. We implement a cross-sectional "Quality Assessment System" from the product planning phase to eliminate any omissions or oversight in ensuring quality, safety, and legal compliance. In addition, we conduct constant analysis in pursuit of excellent quality. The Analysis Group within the Quality Assurance Division conducts scientific verification and assurance on products and raw materials. Morinaga Institute of Biological Science, Inc. develops food allergy analysis kits, which contribute to the verification and assurance of product safety and legal compliance. We have developed a "Crisis Management Response" that outlines the handling of matters by directors and employees in the event of a quality accident.

Quality Assurance System



Framework for Quality Assurance

In an effort to deliver safe and reliable products to our customers, we have established a quality assurance system for all processes from product development to procurement, production, distribution, and sales.

● 1. Product development

We have put a Quality Assessment System in place to identify and totally remove risks involved in all products in the last stage of their development phase that could affect the safety and reliability of products (checklist that covers 12 categories and approximately 180 items).

● 2. Procurement of raw materials

We have prescribed strict regulations for the raw materials used in our products, and purchase ingredients from manufacturers who can meet these requirements. We check information on the safety and reliability of raw materials with regard to not only compliance with the Food Sanitation Act but also food additives and allergenic substances. We also conduct testing when it is determined to be necessary, confirming that raw materials are safe.

● 3. Production

All of our domestic production factories (four Morinaga factories and four affiliated production companies) have obtained the FSSC 22000 certification, an international standard certification for food safety systems, and JFS-B standard certification.

Moreover, we put efforts into food defense to prevent intentional contamination of foreign substances in food, enhance entrance/ exit management within the factory and production sites, thoroughly implement rules on the prevention of mixing in foreign objects, as well as conduct camera recordings. We are conducting risk reduction from both intangible and tangible aspects by striving to create a worker friendly workplace that values communication with employees, and enhancing the consciousness of prioritizing safety and reliability.

List of Factories with Certifications (As of June 30, 2021)

FSSC 22000 certification: Mishima Factory, Oyama Factory, Chukyo Factory, Tsurumi Factory, Takasaki Morinaga Co., Ltd., Morinaga Angel Dessert Co., Ltd., Morinaga Dessert Co., Ltd.
JFS-B standard certification: Osaka Center of Aunt Stella Inc.

● 4. Shipping inspection

We conduct shipping inspection as the final check to ensure the quality of our products. Specifically, the process is designed to verify the product's flavor, alignment with specified color tones, dimensions, weight, and observance of bacterial standards (microorganism control).

● 5. Transportation/ Storage/ In-store management

We set rules and request our business partners in the value chain to follow them so as not to impair the quality of our products in order to deliver safe products to our customers.

● 6. Ensuring traceability

To ensure traceability, which forms the basis of quality assurance, we conduct reliable tracking of history on raw materials and products at each stage of raw material procurement, manufacturing, storage, and delivery.

● 7. Responding to inquiries on quality

For any customer inquiry and suggestions regarding their purchased product, we conduct various investigations and analyses to determine their quality and legal compliance, to provide a response to the customer.

● 8. Quality assurance for overseas

Our overseas production sites have also acquired international food safety management system certification, FSSC 22000, and SQF facility certification. We also conduct quality inspections of manufacturing contractors overseas to verify that our products shipped are safe.

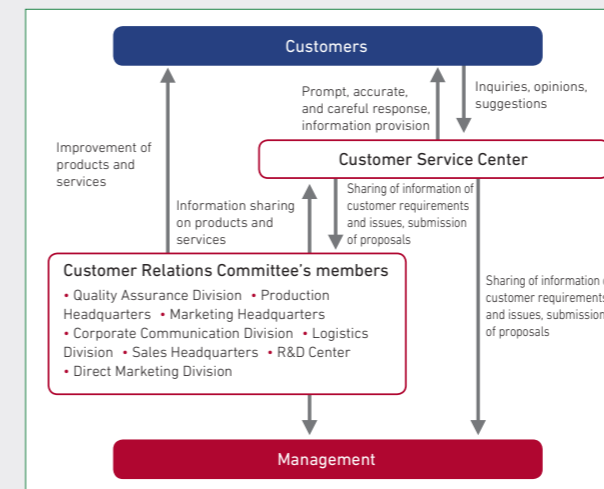
Initiatives to Improve Customer Satisfaction

● Framework for customer satisfaction

Led by the Customer Service Center, Production Headquarters, and Quality Assurance Division, a meeting of the Customer Relations Committee is held quarterly to share customers' voices among all relevant divisions. We take customers' voices seriously and use them to help improve customer satisfaction. Meeting results from the Committee are reported at the Board of Directors meetings by a representative officer in charge. In addition, we agree with consumer-oriented management recommended by the Consumer Affairs Agency and have made a voluntary declaration on consumer-orientation.

Customer Relations Committee

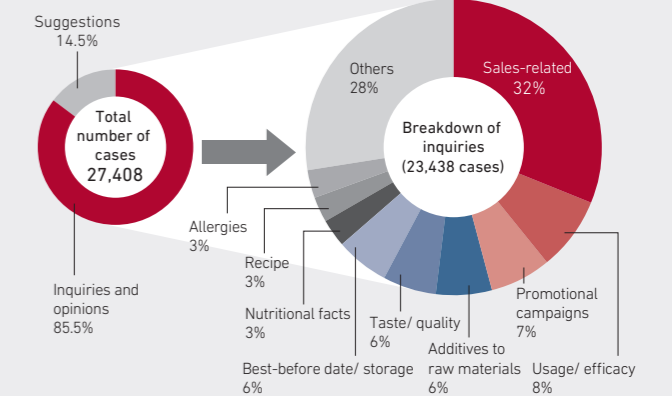
– Mechanism for Making Use of Customers' Voices –



● Initiatives by the Customer Service Center

Our Customer Service Center constantly implements improvements aimed at achieving a higher level of customer satisfaction in accordance with ISO 10002, with which the Company made a self-declaration of conformity in 2013. We receive and respond to opinions and requests from customers via a number of channels, including a toll-free number, e-mail, and letters, and are mindful of providing sincere, prompt, and accurate responses. All of the customers' voices we received are shared with the entire company through daily and monthly reports, which enables us to detect issues at their early stages, and incorporate these voices in product and service improvement. Moreover, we have published Q&A on our website to help our customers find solutions speedily.

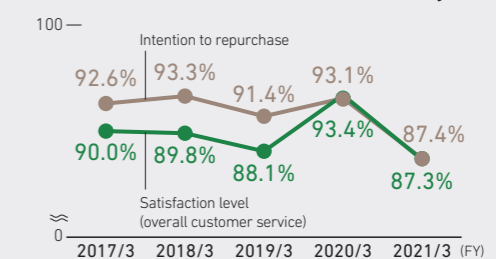
Breakdown of Inquiries to the Customer Service Center (FY2021/3)



● Results of customer satisfaction survey

The Customer Service Center analyzes every piece of every suggestion, investigates the cause, and reports the result to the customer who gave the suggestions. With the report, we enclose a postcard that requests the recipient to respond to a survey, and the results of which are used in improving services.

Results of Customer Satisfaction Survey



In FY2021/3, although both the overall satisfaction and intention to repurchase have reached over 87%, these numbers have declined compared to the previous fiscal year. We believe the result reflects the increased difficulty to connect by phone due to the reduced telephone hours and less phone operators available as an impact of the COVID-19 pandemic. Going forward, we will establish a more easily accessible inquiry system and try to be more considerate of our customers in efforts to improve customer satisfaction.

Initiatives for Sustainability

Diversity and Inclusion of People

Aimed at 2030

The Morinaga Group aims to increase its competitiveness and achieve sustainable growth through creating a work environment that enables diverse personnel to shine and cultivates autonomous human resources who can continuously generate value for society.

Long-Term Targets for 2030

Rate of positive responses on the employee survey: 80%

- "The Morinaga Group is contributing to enriching people's lives and creating a society that is more affluent and sustainable through its businesses."
- "The active participation of diverse human resources leads to the Company's growth and persistence."
- "Employees find their job meaningful at work and they are in good mental and physical health at work."

Basic Stance

The Group has positioned diversity at the center of its management, and is developing a workplace that fosters the active participation of diverse human resources and the satisfaction of taking part in a meaningful job based on the philosophy of "Leveraging each person's individuality." We are working on themes listed in the table on the right based on our human resources strategy in order to achieve the targets above.

Initiative Themes to Achieve Long-Term Targets for 2030

1. Foster people, culture, and organizations to achieve our Purpose and the 2030 Vision
2. Foster organizations that are diverse and dynamic
3. Build healthy and comfortable workplaces and help employees to find their work meaningful

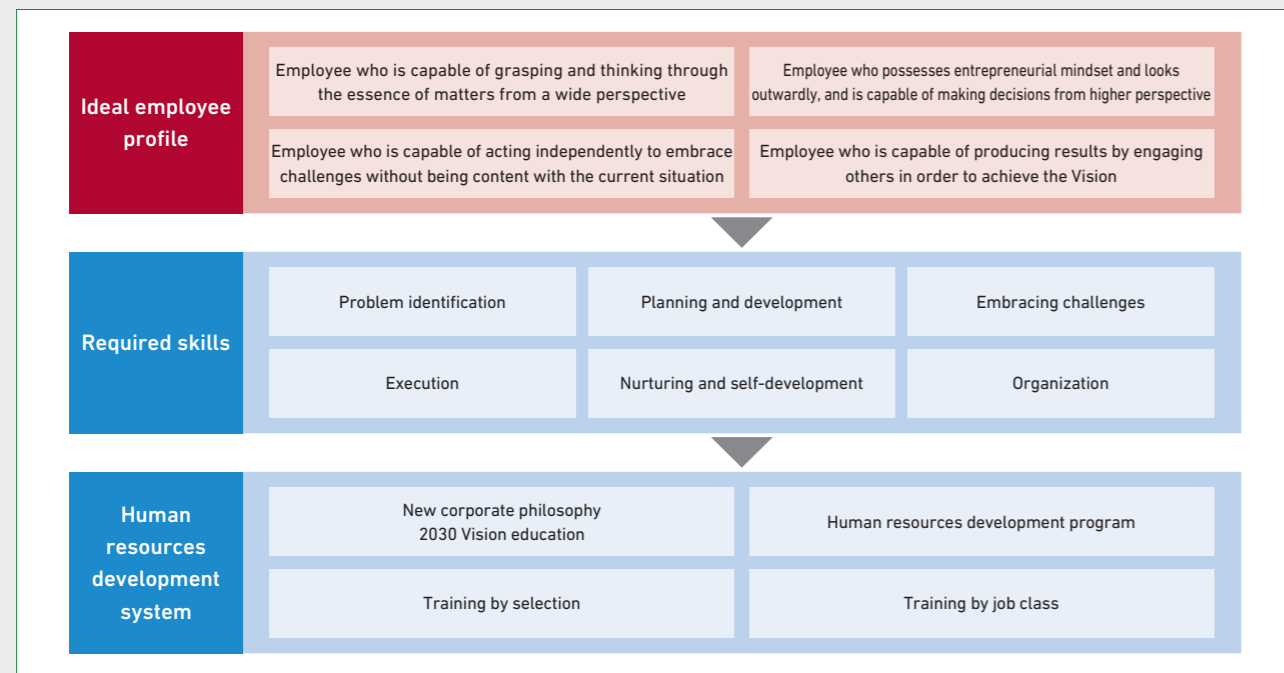
1. Human Resources Development that Leads to the Achievement of the Purpose and 2030 Vision

We believe that human resources and organization development are the most crucial aspects in achieving our Purpose and 2030 Vision. We are conducting ongoing activities to permeate the Purpose and 2030 Vision among all directors and employees in

order to promote deep understanding and share the Purpose and 2030 Vision.

Our ideal employee profile for creating values through business is as follows. We have defined "problem identification," "planning

Ideal Employee Profile and the System for Their Cultivation



and development," "embracing challenges," "execution," "nurturing and self-development," and "organization" as six essential skills and conducting human resources development through strengthening the training program that will instill these skills.

In addition, we have also established a training system linked to the three main topics in human resources strategy: leader training, expertise enhancement, and productivity enhancement, which are implemented as a combination with training by job class and self-development.

Training System (Morinaga & Co., Ltd. (non-consolidated) in FY2022/3)

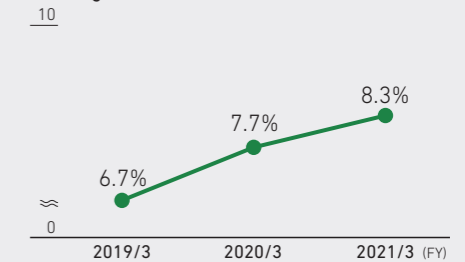
Categories of training	Specific examples (abstract)
1 Leader training	Management skills and nurturing skills enhancement training
	Next-generation leaders training
2 Expertise enhancement	Marketing Headquarters: Advanced marketer training
	Production Headquarters: Production technology training
	Sales Headquarters: SP* training
3 Productivity enhancement	Overseas Business Headquarters: Language skills enhancement program
	Problem-solving skills enhancement training
	Business foundation skill training

* An acronym for Sales Promotion

2. Fostering Organizations that are Diverse and Dynamic

In order to achieve a strong and resilient organization that can create new values and flexibly respond to external environmental changes, it is important to create an organization that enables employees to actively participate with their diversity of strengths. For this reason, in addition to gender, age, race, nationality, and presence or absence of disability, we are promoting a workplace that enables diverse human resources with various differences, such as values towards work and life, individual characteristics, and previous careers to take an active part and exert their strengths. During the period of the 2021 Medium-Term Business Plan, we will take initiatives aimed at the target of 10% of managers being female.

Ratio of Female Managers (Morinaga & Co., Ltd. (non-consolidated))



3. Achieving a Healthy and Worker-friendly Workplace Environment

In order to create better values for society, it is essential to maintain and promote "health of mind and body" among employees and their families and develop a workplace environment for employees to work actively and healthily. To this end, we are promoting initiatives on work-life balance and health management.

personal holiday calendar where employees can set their holidays freely, and are minimizing restrictions based on time, location, and weekdays in creating an environment that is employee-friendly. We have also enabled employees to select working styles where they do not have to relocate, if so desired. We hope to enable work that suits each employee's requirement by family, childcare, nursing care, etc.

1. Realizing Work-life Balance

We are cutting back on the annual total labor hours and developing a worker-friendly labor environment aimed at striking a balance between work and life. We have introduced systems such as teleworking, flextime, staggered commuting, and

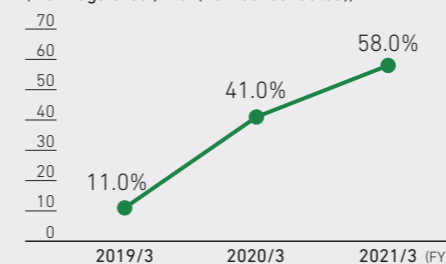
2. Promotion of Health Management

In order to ensure the health and safety of employees, workers and management are cooperating together in promoting occupational health and safety activities. Since 2017, the Company has been actively supporting "health of mind and body" of the employees and their families through health management initiatives.

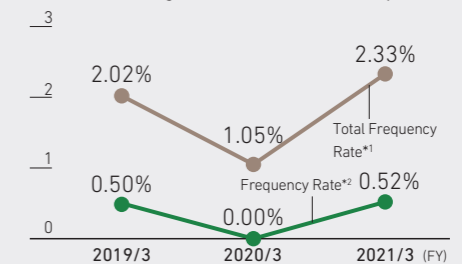
Annual Total Labor Hours (Morinaga & Co., Ltd. (non-consolidated))

FY2019/3	1,988 hours
FY2020/3	1,993 hours
FY2021/3	1,961 hours

Rate of Male Childcare Leave Acquisition (Morinaga & Co., Ltd. (non-consolidated))



Rate of Occupational Injury (includes Morinaga & Co., Ltd. factories and production-related companies)



¹ Frequency of occupational accidents indicates the number of injuries/ fatalities (including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours.

² Frequency of occupational accidents indicates the number of injuries/ fatalities (not including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours.

For more detail, please refer to our corporate website.
<https://www.morinaga.co.jp/company/english/csr/social/employee.html>

Initiatives for Sustainability

Achieving Sustainable Value Chains

Aimed at 2030

Taking actions to address social issues relevant to our businesses across the entire value chain in contributing to a sustainable society.

Long-Term Targets for 2030

- Sustainable procurement of raw materials: **100% for cacao beans, palm oil, and paper***¹
- CSR supply chain management: **implement for 80% or more of raw materials transaction value***²
- Food loss and waste reduction: **Food loss and waste reduced by 70% from receiving of raw materials to delivery (distribution)***³

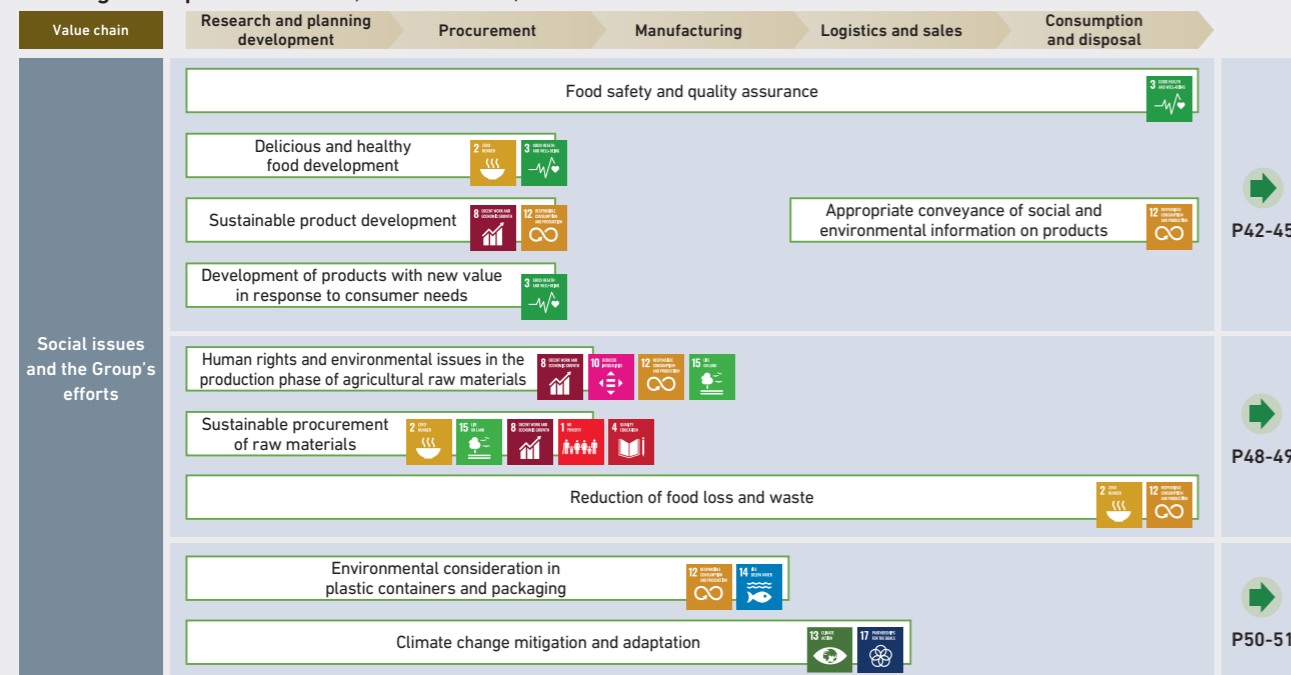
*1. Group consolidated. Paper covers product packaging only. *2. Group consolidated. *3. Domestic Group consolidated basis. Intensity; compared to FY2020/3

Promotion of Solving Social Issues in the Value Chain

With the intensifying severity of social issues such as climate change, all stakeholders are expected to address these issues in accordance with their own abilities and responsibility. The Morinaga Group is also making efforts to realize "health of environment" which will contribute to the sustainability of society and the environment throughout our entire value chain. In particular, we consider human rights and environmental issues

in the production phase of agricultural raw materials, social and environmental issues that arise in the supply chain when procuring raw materials, challenges in stable procurement, and food loss and waste as our top priorities. As such, it is our plan to promote sustainable raw materials procurement, CSR supply chain management, and food loss and waste reduction.

Morinaga Group's Value Chain, Social Issues, and Efforts



1. Promotion of Sustainable Raw Material Procurement

We aim to achieve procurement of main raw materials, including cacao beans, palm oil, and paper resources, without being involved in the occurrence of human rights or environmental issues by 2030. In order to achieve this goal, we are cooperating and working together with our raw material suppliers and other stakeholders based on Morinaga Group Procurement Policy. We are firstly taking initiatives on Morinaga & Co., Ltd. products in Japan as outlined in the table on the right and on page 49.

Sustainable Procurement: Medium-term Targets (targets are for Morinaga & Co., Ltd. products in Japan)

Raw materials for products of Morinaga & Co., Ltd. sold in Japan	
• Cacao beans	Switch to 100% of cacao beans from sustainable sources by FY2026/3
• Palm oil	Switch to 100% of palm oil from sustainable sources by FY2024/3
• Paper (for product packaging)	Switch to 100% of paper from sustainable sources by FY2023/3

1. Cacao Beans

Cacao beans, a key raw material for chocolate, are associated with a range of social issues including human rights issues such as poor working conditions for cacao farmers, poverty, child labor, and environmental issues such as deforestation. The Company started using certified cacao beans (Cocoa Horizons*-certified cacao supplied by the Barry Callebaut Group) in some of its chocolate products in the fiscal year ended March 31, 2021, and aims to switch to 100% of cacao beans from sustainable sources by the fiscal year ending March 31, 2026.

* Cocoa Horizons-certified cacao supplied by the Barry Callebaut Group are certified cacao beans using the Cocoa Horizons Foundation's mass balance method (certification model that combines certified and non-certified raw materials).



Visit to a cacao sapling farmer in Indonesia by a director in charge (FY2020/3)

2. Palm Oil

Environmental destruction, such as illegal logging, and human rights problems in producing regions of palm oil, which is extracted and refined from oil palm, have become social issues. We consider it necessary to switch to certified palm oil (e.g., RSPO*-certified) that contributes to sustainable procurement. We will switch 100% of the palm oil used in our main soft candy and ice cream products to that from sustainable sources by the fiscal year ending March 31, 2023, and for all products in Japan by the fiscal year ending March 31, 2024.

* RSPO is an acronym for Roundtable on Sustainable Palm Oil, which is involved in the development and operation of the sustainable palm oil certification scheme.

3. Paper

Sustainable procurement of timber resources for raw paper material is in demand as resources continue to decline worldwide due to deforestation and illegal logging. In order to utilize forest resources with due consideration for the environment and local communities, we have been switching to procurement of raw materials such as FSC®-certified paper (a part of specialty papers use recycled paper or certified paper by a third-party). We will make the switch for all major brands in the fiscal year ending March 31, 2022, and aim to switch 100% of the paper used in products to that from sustainable sources by the fiscal year ending March 31, 2023.

Procurement of Sustainable Certified Cacao in Collaboration with the Barry Callebaut Group (Switzerland)

Since fall 2020, we have been using certified cacao beans (Cocoa Horizons-certified cacao beans supplied by the Barry Callebaut Group). With the aim to switch 100% of the cacao beans used in products in Japan to those from sustainable sources by the fiscal year ending March 31, 2026, we will contribute to the prosperity of cacao farmers, prevention of deforestation, reduction in CO₂ emissions, and eradication of child labor.



Supporting drinking water infrastructure for cacao farmers (West Africa)

2. Promotion of CSR Supply Chain Management

We are working together with our raw material suppliers in order to prevent human rights, labor, and environmental issues within the supply chain. To this end, we formulated the Supplier Guidelines in June 2021, which serves as a basis for establishing a

fair, just, and highly transparent relationship with our business partners in promoting procurement activities with consideration toward society and the environment.

- Procurement Policy <https://www.morinaga.co.jp/company/english/csr/sustainability/supplier.html>
- Supplier Guideline https://www.morinaga.co.jp/company/english/csr/management/pdf/policy_supplier-guideline.pdf

3. Reduction of Food Loss and Waste

As the world population increases, the reduction of food loss and waste has become a global issue, which as a member of the food industry, we must seriously address. As the first step for the Morinaga Group, we have established long-term goals for reducing food loss and waste occurring in the stages of raw materials receipt, manufacturing, logistics and product delivery. Going forward, we will consider our efforts in the consumption stage, while contributing to the reduced occurrence of food loss and waste, improving the recycling rate and donations to food banks, in

promoting a cycle and effective use of food resources.

Long-Term Targets for 2030

- Food loss and waste: **70% reduction**

* Scope: from receiving raw materials to product delivery (distribution) (Domestic Group consolidated)
 * Intensity [Annual Food Loss and Waste Amount (t) ÷ Annual Production Weight (t)] (Compared to FY2020/3)
 * Food loss and waste is defined as food that has been processed and disposed of by incineration, landfill, etc., except for food waste that has been returned to the circulation of food resources, such as feed and fertilizer.

Initiatives for Sustainability

Conserving the Global Environment

Aimed at 2030

In order to achieve “health of environment,” we strive for the health of society surrounding people by minimizing environmental impacts in our important business activities and conducting environmental conservation activities from a medium- to long-term perspective.

Long-Term Targets for 2030

- Goal of net-zero GHG emissions by FY2051/3*1
- 30% reduction in CO₂ emissions by FY2031/3*2
- Reduce the plastics used in *in Jelly* products by 25%*3 by FY2031/3

*1. Group consolidated basis. *2. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3). *3. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics).

1. Environment Management

Global environmental issues, such as climate change and plastic pollution, can potentially impact the Group’s business and performance over the medium- to long-term. We will accelerate our initiatives on environmental conservation appropriately and strategically following our environmental policy in achieving sustainable growth for the Group and providing “health of environment.”

The ESG Committee, which is chaired by the Representative Director and President, conducts deliberation, formulation, and progress status review on important policies and goals related to the environment in order to realize these missions. The Environment Integration Office was established with members from Production Administration Division and Sustainable Management Division to exchange information with the Factory Environment Management Committee and other organs, as well as to promote continuous improvements to our management system and to reduce the environmental impacts and increase productivity.

We have built an environmental management system centered on ISO 14001. In January 2018, the Morinaga Group’s Production Sites obtained multiple site certification (four factories of Morinaga & Co., Ltd., and three affiliated production companies).

Main Environmental Risks and Opportunities for the Morinaga Group

Main environmental issues	Risks	Opportunities
Climate change issues	<ul style="list-style-type: none"> • Procurement risks of agricultural raw material • Rising production cost due to increased burden from carbon taxes • Physical risks caused by storms or floods 	Creation of business opportunities in line with the changing consumer needs due to rising temperatures
Eco-friendly plastic containers and packaging along with recycling, reuse, etc.	<ul style="list-style-type: none"> • Declining corporate value for delayed response to strengthened rules 	Creating innovation through external collaboration

Please see our corporate website for the Morinaga Group’s environmental policy, environmental management system diagram, and ISO 14001 certification status. <https://www.morinaga.co.jp/company/english/csr/environment/management.html>

2. Response to Climate Change Issues

The Group has set a long-term goal of net-zero greenhouse gas emissions by 2050 in order to contribute to the realization of a

decarbonized society. To achieve this goal, we are conducting carbon management including energy conservation and

Main Initiatives Aimed at Reducing Greenhouse Gas Emissions

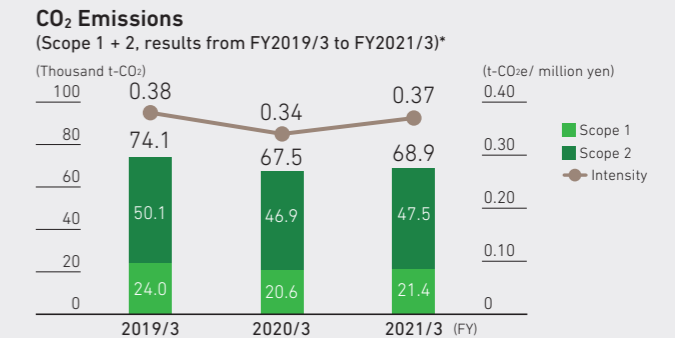
Initiatives	Detail
1. Reducing CO ₂ emissions at factories	<ul style="list-style-type: none"> • Promote visualization of CO₂ emissions • Establish a highly efficient production system • Implement energy conservation initiatives (adopt high-efficiency and energy-saving equipment, operate air conditioning efficiently, etc.)
2. Initiatives at facilities using fluorocarbons	<ul style="list-style-type: none"> • Consideration for switch to alternative fluorocarbons with a low ozone depletion potential and non-fluorocarbon materials • Strengthen preventive management of fluorocarbon leakage • Introduction of natural refrigerant equipment with zero ozone depletion potential and low global warming potential (Morinaga Angel Dessert Co., Ltd., Morinaga Dessert Co., Ltd.)
3. Initiatives in logistics	<ul style="list-style-type: none"> • Improve loading rate and reduce transportation and delivery vehicles by joining other companies in the industry in transportation and delivery

visualization of energy consumption. Going forward, we plan to utilize renewable energy and follow the recommendations of the Task Force on Climate-related Financial Information Disclosure (TCFD).

Long-term Environmental Goals

- Goal of net-zero GHG emissions by FY2051/3*1
- 30% reduction in CO₂ emissions by FY2031/3 *2

*1 Group consolidated basis. *2 Scope 1 + 2 (domestic Group consolidated, compared to FY2019/3)



* Domestic Group consolidated basis. CO₂ emissions are rounded up to the second decimal place. Figures for FY2021/3 are third-party-assured by LRQA.

3. Promotion of Environmental Consideration in Containers and Packaging

In recent years, marine pollution by plastic waste has become a serious issue that is attracting growing concerns globally. The Group believes its efforts through business activities are important, and has established a long-term goal for reducing plastic use in the packaging material for “*in Jelly*” as its mainstay product. With the initiatives to achieve this long-term goal as a starting point, we will promote environmental conservation towards achieving a resource-recycling society.

Environmental Initiatives in the Containers and Packaging of Major Brands

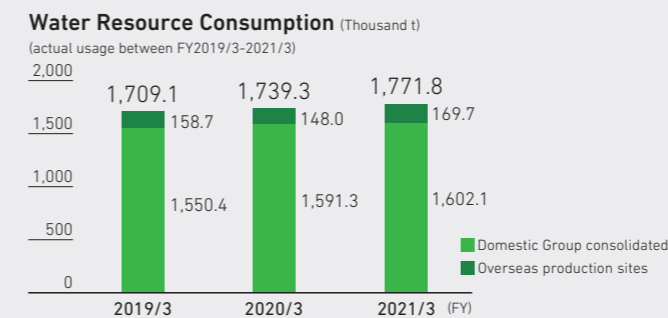
Initiatives	Current initiatives (includes tentative items)
Reduce weight and volume of plastic	Reduce the amount of plastic used in the packaging of products including <i>in Jelly</i> and <i>Choco Monaka Jumbo</i> .
Switch to eco-friendly materials for packaging	Switch plastic package of <i>HI-CHEW</i> and <i>in Jelly</i> to biomass-derived plastic packaging.
Promote recycling	Plan to promote collecting and recycling of disposed containers and packaging

4. Effective Use of Water Resources

In recent years, natural disasters, such as droughts and floods, are frequently occurring as a result of climate change. There are regions with increasing risks of water resource shortages as the world population increases. We believe that water resources are essential to our Group’s business activities, and it is important to promote business activities that effectively assess water stress* and utilize water resources. We will identify regions facing high

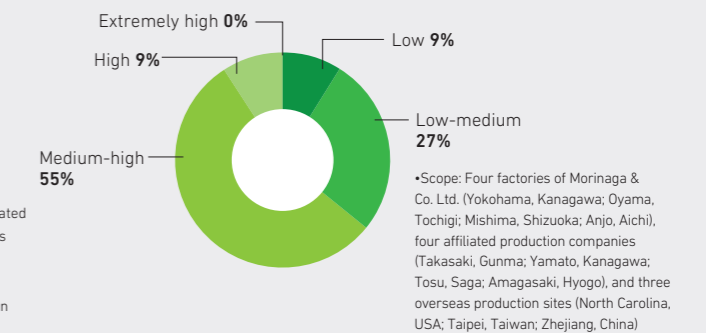
water stress and consider possible actions by conducting water withdrawal surveys and evaluating our domestic and overseas production facilities for water stress using the World Resources Institute’s Aqueduct Water Risk Atlas with the aim of effectively using water resources.

* Water stress: A state in which water supply and demand is tight. Water stress is when maximum available water resources per capita falls below 1,700 m³.



* Domestic figures reflect Group consolidated figures. Overseas figures reflect figures at production sites. The domestic Group consolidated figure for FY2021/3 is third-party assured by LRQA.

Water Stress Evaluation of all Production Sites (FY2021/3)



Environmental Education and Awareness

We are conducting education and raising awareness while striving to improve employees’ environmental awareness to conduct business with environmental consciousness in all facets of our activities. Each year, we offer an Internal Environmental Auditor training seminar for employees at domestic production sites with the ISO 14001 certification to cultivate and enhance Internal Environmental Auditors. In the fiscal year ended March 31, 2021, 29 people participated in the seminar, with a total of 172 participants in the ISO 14001:2015 standards training.



Internal Environmental Auditor training seminar

Initiatives for Sustainability

Strengthening the Business Management Foundation

Aimed at 2030

We will enhance our sustainability as a corporation as well as achieving sustainable growth and enhancing corporate value.

Action Themes for 2030

1. Achieve highly transparent and efficient governance
2. Globalize management foundation
3. Establish human rights management
4. Promote business operations using DX
5. Expand disclosures of ESG information

Strengthening the Business Management Foundation to Enhance Sustainability

To achieve our Purpose and the 2030 Vision, we will need to enhance our sustainability as a corporation, respond quickly and appropriately to changes in the external environment, and flexibly

engage in business operations. The Morinaga Group will steadily work on initiatives for the following five themes through monitoring by the management meeting and ESG Committee.

Action Themes

1. Achieve highly transparent and efficient governance	We will achieve effective corporate governance that is highly transparent and efficient based on Japan's Corporate Governance Code in order to respond appropriately to changes in society as well as achieving sustainable growth and enhancing corporate value.
2. Globalize management foundation	We will support the growth of our overseas business by building a foundation for corporate activities based on the unique situation in the countries and regions where we operate.
3. Establish human rights management	We will build a global human rights management system based on the UN Guiding Principles on Business and Human Rights in response to rapidly increasing international request for respect of human rights.
4. Promote business operations using DX	We will promote company-wide and cross-functional DX aimed at increasing the Group's productivity, strengthening the management foundation, and creating new business in response to the rapid advancement in digitalization.
5. Expand disclosures of ESG information	We will enhance our disclosure of ESG information in order to obtain appropriate evaluation from the market and in response to the requests for non-financial information disclosure from the capital markets.

1. Build a Highly Transparent and Efficient Governance System

The operating environment surrounding companies is facing growing complexity and uncertainty and is changing rapidly amid the COVID-19 pandemic and other factors. Given this situation, to achieve the 2030 Vision, we will need to realize highly efficient and effective corporate governance that can swiftly address these diverse environmental changes and

appropriately identify the needs of stakeholders. The Morinaga Group is working continuously to achieve highly effective and transparent corporate governance based on Japan's Corporate Governance Code.

➡ For details about our corporate governance, please see the Governance Section on pages 54 to 63.

2. Promote Globalization of Management Foundation

Under the 2030 Business Plan, we will prioritize the United States as the focused domain of our overseas business. At the same time, Taiwan has been positioned in the basic domain and we have been tapping into markets in China, Southeast Asia, Oceania, and Europe in the exploration and research domain, serving as the seeds for the next stage of our growth. Aimed at

expansion of our overseas business, we will work to promote understanding of our corporate philosophy and develop the business infrastructure required for global growth while respecting the traditions, cultures, and lifestyles of the countries and regions where we operate. We will reinforce our systems so that Group employees overseas can work with even greater unity.

3. Reinforce Human Rights Management

Companies must implement management that respects the human rights of stakeholders within the company and in the value chain pursuant to the UN Guiding Principles on Business and Human Rights. We established the Morinaga Group Human Rights Policy in 2018, which requires that we respect basic human rights and have workplaces that are free of discrimination and harassment. It also requires that we eliminate child labor and forced labor in the supply chain of raw materials procurement partners. Currently, through the "One Chocolate for One Smile" campaign, we are learning from NPOs and NGOs about the situation of child labor in cacao producing countries and conducting exchange of views. We are also working to identify and address human rights issues in the supply chain, including deepening understanding of those in palm oil producing areas through our participation in the RSPO.

Moreover we will build a human rights management system following the UN Guiding Principles on Business and Human Rights and update our human rights policy in response to changes taking place in society.

Roadmap to Reinforcing Human Rights Management

FY2022/3

- Start initiatives on human rights due diligence
- Establish supplier guidelines
- Revise the Morinaga Group Human Rights Policy
- Conduct stakeholder engagement with NPOs
- Promote internal training and education (basic approach to respecting human rights and prevention of harassment, etc.)

FY2023/3

- Begin supplier-led assessments based on the supplier guidelines
- Begin impact assessments of businesses that could have a negative effect on human rights
- Expand internal training and education (global approaches to business and human rights, etc.)

FY2024/3

- Respond to issues identified (starting from urgent issues)
- Review progress of response to issues and report in the integrated report, etc.

Looking ahead

- Build mechanism for human rights due diligence and roll it out in operations

Morinaga Group Human Rights Policy

As a member of the international community, the Morinaga Group respects fundamental human rights, undertaking sincere business activities that do not tolerate human rights violations.

1. Respect for human rights and prohibition of discrimination	We respect fundamental human rights, and will not discriminate in any way based on a person's race, gender, nationality, religion, ideology, age, or physical characteristics, or for any other reason.
2. Prohibition of harassment	We will not participate in power harassment, sexual harassment, or any other behavior whatsoever that injures human dignity.
3. Consideration for safety/ hygiene	We will give consideration to safety and hygiene in the workplace, endeavoring to ensure a comfortable work environment, and respect employees' fundamental human rights.
4. Building and maintenance of good labor-management relations	We will respect the right to freedom of association and collective bargaining and other fundamental rights of employees, building and maintaining good labor-management relations.
5. Elimination of child labor/ forced labor	In our various business activities, we will not accept child labor, forced labor, or any other unfair labor practices.

(Established May 2018)

4. Evolve Business Operations Using DX

The promotion of DX will play an extremely important role in improving productivity and earnings while strengthening our management foundation, which will help us to achieve the 2030 Vision. We will make steady progress with transforming our

business activities utilizing investments in digital technologies while monitoring progress through the management meeting and other meeting bodies.

➡ For details, see DX Strategy on page 37.

5. Increase ESG Information Disclosures

We believe that responding to requests for disclosure of non-financial information from the capital markets to obtain appropriate evaluations is vital to the Group's sustainable growth. Therefore, we will further step up disclosures of both financial and non-financial information through our integrated report and corporate website in order to appropriately convey the Group's approach and initiatives for sustainable growth to all stakeholders, including shareholders and investors. Moreover, we will seek to enhance corporate value by actively responding to surveys from ESG rating agencies around the world after carefully reviewing the nature of these surveys.

Main ESG-related Index Evaluating Morinaga & Co., Ltd. (as of March 2021)

2021 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)	S&P/JPX カーボン エフィシエント 指数
CDP DISCLOSURE INSIGHT ACTION	2021 Sompo Sustainability Index

MSCI <http://info.msci.com/1/36252/2017-06-27/kj5n9b>